

Universities UK response to the Office for Students consultation on registration fees and other fees

14 March 2017

1. Universities UK (UUK) supports an Office for Students (OfS) that will protect the interests of students and the reputation of the higher education sector as part of a co-regulatory system. A fee-based approach to OfS funding will be an opportunity to strengthen accountability to the sector for the costs of regulation. However, as the costs of the OfS will also indirectly fall on students, fees and funding should be **value for money**, be **sustainable and proportionate** as well as **transparent and equitable**.
2. While higher education providers will pay towards the costs of the conditions of being on the register we agree that there will continue to be aspects of the OfS's work which would be appropriate for the government to fund directly. This includes Prevent, promotion of widening participation, schemes to promote economic growth in other sectors via higher education, the costs of managing market exit and other policy objectives set by the secretary of state.
3. OfS registration fees should not deter new entrants or different types of provider but should also represent valuable assurance to prospective and existing students about a provider's sustainability. The costs of providing these assurances will be determined by a provider's risks, not the size of its student population. In addition, **low risk providers and their students should not subsidise** the costs of managing and mitigating risks associated with **high risk providers**.
4. A simple flat rate fee for all providers would be the simplest to administer. However, although more complex and potentially less transparent, a blended approach comprising a core **flat rate registration fee**, the cost of **risk based registration conditions** and the **size of student population**, may be considered. The resultant fee would be split approximately into thirds between each part, depending on the OfS's regulatory approach.

The voice of universities

Chief Executive
Nicola Dandridge CBE

Universities UK
Woburn House
20 Tavistock Square
London
WC1H 9HQ

telephone
+44 (0)20 7419 4111
twitter
@UniversitiesUK

email
info@universitiesuk.ac.uk
website
www.universities.ac.uk

Company limited by
guarantee and registered
in England and Wales
number 2517018

Registered charity number
1001127

5. The core flat registration fee should reflect the basic cost of registration for all providers regardless of size and risk. Any student population measure should be based on Full Time Equivalent. Risk based regulatory conditions across all registration bands should **protect students** and the **collective reputation of the sector** from transient and poor quality providers. Therefore, the fee levied on different providers will need to consider the following criteria:
 - Institutional governance and accountability
 - Financial sustainability and institutional strategy
 - Track record of sustainable operation
 - Track record of good academic quality (subject to designated quality body's subscription model)
 - Data returns that allow monitoring of risks
6. The OfS should establish a mature approach to ongoing evaluation of risks that protects the reputation of individual providers and the sector as a whole. The evaluation of risks and associated regulatory costs should not deter innovation or unnecessarily prejudice a provider's standing. This should give all providers confidence that the process is transparent and equitable whilst enabling institutions to plan in line with likely regulatory requirements.
7. **Do you broadly agree with the proposed set of principles to underpin the registration fee funding model?**
8. Not sure.
9. UUK's 2015 report, *Quality, equity, sustainability: the future of higher education regulation*, highlighted several principles which should underpin the higher education regulatory environment more broadly. One of these is the need to safeguard the quality of higher education and promote a strong, vibrant sector that can compete internationally.
10. We agree that the registration fee should operate in a way which is proportionate to the cost of regulating a provider but we are not convinced that the costs of regulating providers relate in a linear way with the number of students. The way registration fees operate should also represent value for money for providers and should be efficient and economical for the OfS to administer.
11. UUK broadly supports the principles already set out in the consultation document. However, we also recommend consideration of the following additions and clarifications:

- a. **Value for money.** We support the view that delivering value for money is a central principle of good regulation and the OfS is also expected to have a general statutory duty to be efficient, effective and economical. We would welcome explicit consideration of value for money in setting of fees from the outset and mechanisms to review OfS costs in the future. The OfS should be sustainably resourced through provider fees and government funding to deliver its regulatory objectives and to deliver value for money to the sector and students.
- b. **Risk based.** It is important that high quality sustainable providers and their students do not underwrite the costs of regulating low quality, transient and risky providers. A provider's registration fee should reflect the costs of the activities and conditions required to appropriately monitor, mitigate and manage the risks associated with that provider. This should consider the risks to students and the wider sector reputation, as well as costs to the public funds.
- c. **Predictable.** The approach to calculation of fees and subscriptions, including the approach to assessing risk, should provide a transparent framework for institutions to plan costs, avoiding significant short term variations of core costs. The registration fee should not introduce perverse behaviours, deter legitimate innovations or undermine a mature regulatory relationship between the OfS and providers.
- d. **Coordinated.** The OfS should coordinate with the proposed designated bodies to ensure that the overall costs of fees are managed appropriately and to ensure that methods for calculating fees do not introduce unnecessary complexity or duplication.

12. Do you support the principle of varying the registration fee by category of registration?

13. Maybe, if the costs of different registration categories are different.

14. We believe that the fee levied by the OfS should reflect the costs of monitoring and mitigating the risks of different providers. UUK supports the establishment of a register but believes that the conditions applied to institutions should reflect what is required to protect:

- students and the continuity of their studies at their chosen provider
- direct and indirect public funding
- the collective reputation of the sector domestically and internationally

15. It is essential that fees reflect the costs of managing the risks of different providers, including identifying and dealing with transitory, poor quality or negligent providers as well as risks associated with a competitive market. Fees should be based on the core costs of registering providers and the cost of conditions required by the OfS to appropriately manage and mitigate individual provider risks.
16. Consideration of the relationship between the costs of monitoring and assessing provider risks and the point at which costs are levied for regulatory conditions will be necessary. This approach should aim for a mature regulatory relationship that allows for innovation without being detrimental to a provider's reputation whilst ensuring that providers are being treated equitably and transparently.
- 17. Do you support the proposal to measure the size of a provider by HE student numbers?**
18. No.
19. We understand the argument that suggests the size of student population should be considered in the calculation of the fee to reflect a link between student interest and the potential impact on the collective reputation of the sector. However, it is not clear that larger student numbers produce greater regulatory cost, rather fees should be linked to the cost of mitigating the risk of a provider.
20. As a minimum, size should not be the only variable and fees should also consider the basic cost of registration and the risk based costs of regulating each provider. If student numbers are to be used consideration should be given to using Full Time Equivalent rather than basic headcount to avoid penalising part time provision.
- 21. Do you support using a system of bands to group providers by size?**
22. No.
23. If student numbers are to be used, then some banding to group providers by size as one part of a blended fee model that considers basic costs of registration and risk based registration conditions would be appropriate. Consideration should be given to using Full Time Equivalent to avoid penalising institutions with high numbers of part time provision. Consideration may be given to simplifying the number of bands and aligning these with the designated quality body to ensure consistency across the system.
24. Potential simplified bands:
- a. 1–1000 students

- b. 1001–10k students
- c. 10k–20k students
- d. 20k–30k students
- e. 30k–40k
- f. 40k+

25. Do you think that where additional specific ongoing registration conditions are placed on particular providers, these conditions should be taken into account when calculating their registration fee?

26. Yes.

27. It is essential that the fees charged to providers reflect the risk of providers and the associated costs of regulatory conditions. Although we support the principle of registration categories, the regulatory conditions should always consider a provider's risks to students and the sector's collective reputation, as well as public funds. Registration conditions and associated fees should consider:

- a. Institutional governance and accountability
- b. Financial sustainability and institutional strategy
- c. Track record of sustainable operation
- d. Track record of good academic quality (subject to designated quality body's subscription model)
- e. Data returns that allow monitoring of risks

28. The risk based element of the fee should aim for simplicity and consistency over time, dependent on potential changes in circumstance. The approach to achieving this, and the actual cost of fees, should be dependent on the conditions developed by the OfS in line with its approach to managing provider risks.

29. Do you agree with the proposed principles that would help to inform judgements around where the government might contribute funding to the OfS? Are there any activities/types of provider or provider circumstances where providers should be exempt from the registration fee or should be partially subsidized by government?

30. We welcome the commitment to fund the transition of providers currently regulated by HEFCE on to the new register. We believe that this reflects the investment that historic institutions have made in ensuring that they comply with the requirements of HEFCE. There should also be a commitment that the costs

associated with the introduction of new conditions in the future should also be supported by government to reflect the transitional compliance costs incurred by providers.

31. Government should also meet the costs to the OfS of ensuring students are protected in the event of the exit of a provider from the system. It would be inappropriate for other providers to underwrite the costs of providers exiting the system through registration fees and it is likely that institutions would incur their own costs through activity to ensure continuity of studies for affected students. It is also important that the government and regulator have some financial accountability in the event of provider exit given the impact on students.
32. In all cases, the fees levied on all providers should reflect the risk based costs of registration, including for new providers. Meeting reasonable costs of registration should be a minimum expectation for a responsible and sustainable provider given the reputational and financial benefit that will accrue from registration. It is essential that existing providers do not underwrite these costs and we are not convinced it is a good use of public funds to subsidise the costs of new providers. Consideration might be given to deferred cost recovery over a subsequent period if the upfront risk based costs for new providers are considered a barrier.
33. We welcome the principle of continued government support for the OfS to deliver on government policy objectives, other regulatory requirements and other potential areas of market failure. As a principle, activities that have been requested by the secretary of state should be funded by the government rather than through fees levied on the sector. In many cases, whilst funding may support sector activity the sector is also likely to incur its own costs as part of delivery of objectives or implementation of requirements.